

Charter Township of South Haven
Van Buren County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of South Haven's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$94 thousand (5 percent) as a result of this year's activities.
- Of the \$1.96 million total net assets reported, \$1.5 million (77 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$674 thousand, which represents 109 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present *governmental activities*. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, parks, etc.). Property taxes and intergovernmental revenues generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like the Debt Service Fund, a major fund) or to show that it is properly using certain other revenues (like the Fire and Ambulance, and other governmental funds).

The Township has two kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$1.96 million. Of this total, \$310 thousand is invested in capital assets. \$118 thousand is restricted for public safety and \$30 thousand is restricted for debt service. Consequently, unrestricted net assets were \$1.5 million.

Condensed financial information
Net Assets

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 5,459,882	\$ 5,806,830
Capital assets	<u>309,962</u>	<u>267,725</u>
Total assets	<u>5,769,844</u>	<u>6,074,555</u>
Other liabilities	667,655	792,724
Long-term debt	<u>3,138,729</u>	<u>3,412,615</u>
Total liabilities	<u>3,806,384</u>	<u>4,205,339</u>
Net assets:		
Invested in capital assets	309,962	267,725
Restricted	148,206	174,908
Unrestricted	<u>1,505,292</u>	<u>1,426,583</u>
Total net assets	<u>\$ 1,963,460</u>	<u>\$ 1,869,216</u>

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues are \$1.33 million. Nearly 44 percent of the Township's revenues come from property taxes, 26 percent come from charges for services, and 24 percent come from state grants.

The total cost of all the Township's programs, covering a wide range of services, totaled \$1.23 million. About 37 percent of the Township's costs relate to the provision of public safety, general government costs are 20 percent, and interest on debt amounts to 16 percent of the Township's total expenses.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Program revenues:		
Charges for services	\$ 344,729	\$ 938,297
Operating grants and contributions	5,285	3,157
General revenues:		
Property taxes	589,077	584,077
State shared revenue	315,367	324,602
Franchise fees	21,665	-
Interest income	48,542	50,171
Miscellaneous	1,464	629
Total revenues	<u>1,326,129</u>	<u>1,900,933</u>
Expenses:		
Legislative	4,781	4,272
General government	243,038	282,601
Public safety	453,059	458,395
Public works	120,333	574,624
Health and welfare	76,187	66,902
Community and economic developmen	67,032	54,583
Culture and recreation	74,919	67,515
Interest	192,536	250,664
Total expenses	<u>1,231,885</u>	<u>1,759,556</u>
Increase in net assets	<u>\$ 94,244</u>	<u>\$ 141,377</u>

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities. Governmental activities increased the Township's net assets by \$94 thousand compared to \$141 thousand last year. Changes in individual categories of net expenses or general revenues were generally not significant, although the gross expenses and offsetting charges for services for public works were approximately \$454 thousand and \$523 thousand lower, respectively, reflecting a 2006 water extension project and the related customer assessments.

The cost of all governmental activities this year was close to \$1.23 million. After subtracting the direct charges to those who directly benefited from the programs (\$345 thousand), and operating and capital grants (\$5 thousand), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$882 thousand, compared to \$818 thousand in 2006.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1.7 million, an increase of \$71 thousand over the prior year. Of the total fund balances, 45 percent constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for future capital projects (\$51 thousand) and (2) for amounts advanced to the South Haven Township - Casco Township Water and Wastewater Treatment Authority (\$780 thousand).

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$674 thousand, which decreased slightly during the fiscal year compared to 2006. Total revenues and expenditures in the General Fund for 2007 were comparable to 2006.

The Fire and Ambulance Fund experienced an increase in fund balance of \$3 thousand. The increase was resulted primarily from a decrease in the contract amount for ambulance services relative to taxes raised for this purpose.

The Water Debt Fund experienced an increase in fund balance of \$44 thousand. The increase was a result in the closing of the related Water Capital Projects Fund, due to completed construction, to cover future debt service requirements.

The Debt Service Fund experienced no change in fund balance as all special assessments collected are then remitted to the South Haven Township - Casco Township Water and Wastewater Treatment Authority for payment of debt service requirements.

General Fund budgetary highlights

The Township amended the General Fund budgeted expenditures during the year. Total budgeted expenditures were increased by \$68,535 to cover previously unanticipated costs for public works, planning, capital outlay and debt service.

Revenues and transfers in were \$9,950 more than budgeted while expenditures and transfers to other funds were \$81,914 less than the amounts appropriated. These conditions resulted in a \$91,864 positive budget variance and a \$69,419 increase in fund balance compared to a budgeted \$22,445 decrease.

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental activities as of December 31, 2007, amounts to \$310 thousand (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and the Township's share of road costs. The increase in the Township's net investment in capital assets for the current fiscal year was \$42 thousand, comprised of shared road costs and a copier.

More detailed information about the Township's capital assets is presented in Note 7 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the Township had total long-term debt outstanding in the amount of \$3.1 million, which represents \$2.7 million in assessments being collected for the payment of four water and sewer bonds issued by Allegan and Van Buren Counties and \$425 thousand in bonds payable for a water system extension.

The Township pays amounts collected on assessments to the South Haven Township - Casco Township Water and Wastewater Treatment Authority (the Authority). The Authority then makes bond payments to the Counties when due. The Township is contingently liable for \$11.5 million of outstanding water and sewer system bonds payable in excess of the amounts which due from collections of current special assessments on properties within the Township. The Township has pledged its full faith and credit toward the total amount of the debt, and anticipates that additional future assessments and other customer charges will cover the contract liabilities. However, to date, the Township has advanced \$780 thousand to cover required debt service payments in excess of amounts available to the Authority.

More detailed information about the Township's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

Economic condition and outlook

Small increases in property taxes are again expected in 2008, resulting in an overall increase in total revenues. The Township plans to maintain all ongoing programs for 2008. Certain costs, for example for public safety services, are likely to increase.

Township has been awarded a grant from the State of Michigan Great Lakes Fishery Trust in the amount of \$111,500 to partially subsidize the costs related to the acquisition of Deerlick Park, so that Township citizens and visitors may continue to have access to this local beach on Lake Michigan.

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overall, the General Fund's 2008 fund balance is expected to remain comparable with 2007. However, as in prior years, the Township may be required to make an additional advance to the Water and Sewer Authority to cover debt service costs in 2008. The advance will be included in cumulative amounts receivable from the Authority, and will not reduce the General Fund's fund balance, but it will reduce the cash available for future appropriations.

Revenues and expenditures in most of the other governmental funds are approximately equal each year. These funds record approved tax levies for specific purposes, including police, fire and ambulance, library, hospital and debt service costs, which are paid to the appropriate entities annually. The Fire and Ambulance Fund had the only significant fund balance in these governmental funds (\$118 thousand). The millage rate was reduced for 2007 to adjust for decreased charges for ambulance services.

Contacting the Township's financial management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Charles R. Stein, Jr., Township Supervisor Phone: (269) 637-3305
Charter Township of South Haven
09761 Blue Star Memorial Highway
South Haven, Michigan 49090

INDEPENDENT AUDITORS' REPORT

**Board of Trustee's
Charter Township of South Haven, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of South Haven, Michigan, as of December 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of South Haven, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of South Haven, Michigan, as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, on pages I through vii, and budgetary comparison information, on pages 20 through 22, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Board of Trustee's
Charter Township of South Haven, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of South Haven, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

May 14, 2008

BASIC FINANCIAL STATEMENTS

Charter Township of South Haven
STATEMENT OF NET ASSETS
December 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 866,603
Receivables, net	920,669
Prepaid expenses	<u>28,914</u>
Total current assets	<u>1,816,186</u>
Noncurrent assets:	
Receivables, net	3,643,696
Capital assets not being depreciated - land	100,000
Capital assets being depreciated, net of accumulated depreciation	<u>209,962</u>
Total noncurrent assets	<u>3,953,658</u>
Total assets	<u>5,769,844</u>
LIABILITIES	
Current liabilities:	
Payables	62,734
Deferred revenue	604,921
Current portion of long-term obligations	<u>275,479</u>
Total current liabilities	943,134
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>2,863,250</u>
Total liabilities	<u>3,806,384</u>
NET ASSETS	
Invested in capital assets	309,962
Restricted:	
Public safety	118,279
Debt service	29,927
Unrestricted	<u>1,505,292</u>
Total net assets	<u>\$ 1,963,460</u>

See notes to financial statements

Charter Township of South Haven
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (expenses)</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>revenues and changes in net assets</u>
Governmental activities:				
Legislative	\$ 4,781	\$ -	\$ -	\$ (4,781)
General government	243,038	44,945	-	(198,093)
Public safety	453,059	54,169	2,118	(396,772)
Public works	120,333	51,286	3,167	(65,880)
Health and welfare	76,187	-	-	(76,187)
Community and economic development	67,032	17,500	-	(49,532)
Culture and recreation	74,919	-	-	(74,919)
Debt service - interest	<u>192,536</u>	<u>176,829</u>	<u>-</u>	<u>(15,707)</u>
Total governmental activities	<u>\$ 1,231,885</u>	<u>\$ 344,729</u>	<u>\$ 5,285</u>	<u>(881,871)</u>
General revenues:				
Taxes				589,077
State grants				315,367
Franchise fees				21,665
Investment income				48,542
Other				<u>1,464</u>
Total general revenues				<u>976,115</u>
Change in net assets				94,244
Net assets - beginning				<u>1,869,216</u>
Net assets - ending				<u>\$ 1,963,460</u>

See notes to financial statements

Charter Township of South Haven
BALANCE SHEET - governmental funds
December 31, 2007

	<u>General</u>	<u>Fire and Ambulance</u>	<u>Water Debt</u>
ASSETS			
Cash	\$ 632,694	\$ 169,600	\$ 20,626
Receivables	969,106	209,348	441,034
Prepaid expenses	22,389	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,624,189</u>	<u>\$ 378,948</u>	<u>\$ 461,660</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 40,099	\$ -	\$ -
Deferred revenue	78,798	260,669	377,012
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>118,897</u>	<u>260,669</u>	<u>377,012</u>
Fund balances:			
Reserved for:			
Capital improvements	51,107	-	-
Advance to water and sewer joint venture	780,429	-	-
Unreserved, undesignated	673,756	118,279	84,648
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,505,292</u>	<u>118,279</u>	<u>84,648</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,624,189</u>	<u>\$ 378,948</u>	<u>\$ 461,660</u>

Fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Interest receivable is not a current financial resource and, therefore, is not reported in the funds.

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts and bond payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<u>Contracts Debt</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ 9	\$ 43,674	\$ 866,603
2,713,728	215,255	4,548,471
-	6,525	28,914
<u>\$ 2,713,737</u>	<u>\$ 265,454</u>	<u>\$ 5,443,988</u>
\$ -	\$ -	\$ 40,099
2,713,737	265,454	3,695,670
<u>2,713,737</u>	<u>265,454</u>	<u>3,735,769</u>
-	-	51,107
-	-	780,429
-	-	876,683
<u>-</u>	<u>-</u>	<u>1,708,219</u>
<u>\$ 2,713,737</u>	<u>\$ 265,454</u>	<u>\$ 5,443,988</u>
		\$ 1,708,219
		309,962
		15,894
		(22,635)
		3,090,749
		<u>(3,138,729)</u>
		<u>\$ 1,963,460</u>

See notes to financial statements

Charter Township of South Haven**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended December 31, 2007

	<u>General</u>	<u>Fire and Ambulance</u>	<u>Water Debt</u>
REVENUES			
Taxes	\$ 134,968	\$ 258,378	\$ -
Licenses and permits	79,011	-	-
State grants	318,534	-	-
Charges for services	18,452	-	-
Interest and rentals	49,108	-	13,774
Other	1,464	-	27,589
	<u>601,537</u>	<u>258,378</u>	<u>41,363</u>
Total revenues			
EXPENDITURES			
Legislative	4,781	-	-
General government	232,146	-	-
Public safety	197,605	255,454	-
Public works	86,560	-	150
Health and welfare	-	-	-
Community and economic development	67,032	-	-
Culture and recreation	-	-	-
Capital outlay	15,400	-	-
Debt service:			
Principal	16,147	-	10,000
Interest	-	-	29,852
	<u>619,671</u>	<u>255,454</u>	<u>40,002</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(18,134)</u>	<u>2,924</u>	<u>1,361</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in	87,553	-	42,240
Operating transfer out	-	-	-
	<u>87,553</u>	<u>-</u>	<u>42,240</u>
Total other financing sources (uses)			
NET CHANGES IN FUND BALANCES	69,419	2,924	43,601
FUND BALANCES - BEGINNING	<u>1,435,873</u>	<u>115,355</u>	<u>41,047</u>
FUND BALANCES - ENDING	<u>\$ 1,505,292</u>	<u>\$ 118,279</u>	<u>\$ 84,648</u>

<i>Contracts Debt</i>	<i>Total nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ 237,457	\$ 630,803
-	-	79,011
-	-	318,534
-	-	18,452
165,128	1,118	229,128
298,064	-	327,117
<u>463,192</u>	<u>238,575</u>	<u>1,603,045</u>
-	-	4,781
-	-	232,146
-	-	453,059
-	3,357	90,067
-	76,187	76,187
-	-	67,032
-	73,717	73,717
-	-	15,400
298,064	-	324,211
165,128	-	194,980
<u>463,192</u>	<u>153,261</u>	<u>1,531,580</u>
<u>-</u>	<u>85,314</u>	<u>71,465</u>
-	-	129,793
-	(129,793)	(129,793)
-	(129,793)	-
-	(44,479)	71,465
-	44,479	1,636,754
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,708,219</u>

See notes to financial statements

Charter Township of South Haven

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BALANCES - governmental funds (Continued)**

Year ended December 31, 2007

Net change in fund balances - total governmental funds	\$ 71,465
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Amounts reported for *governmental activities* in the statement of activities (page 5)
are different because:

Capital assets:

Assets acquired	58,051
Provision for depreciation	(15,814)

Long-term debt:

Loan proceeds	(50,325)
Principal repayments	324,211

Changes in other assets/liabilities:

Net decrease in interest receivable	(1,597)
Net decrease in prepaid expenses	(6,857)
Net decrease in interest payable	2,444
Net decrease in deferred revenue	<u>(287,334)</u>

Change in net assets of <i>governmental activities</i>	<u>\$ 94,244</u>
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See notes to financial statements

Charter Township of South Haven
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
December 31, 2007

ASSETS

Cash	\$ <u>2,036</u>
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LIABILITIES

Due to other governmental units	\$ <u>2,036</u>
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See notes to financial statements

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of South Haven, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire and Ambulance Fund accounts for the operating contributions made to the joint venture described in Note 11.

The Water Debt Service Fund accounts for the issuance and payment of debt related to the 72nd Street water extension project.

The Contracts Debt Service Fund accounts for the issuance and payment of debt related to Water and Sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (Continued):

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Roads	30 years

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the subsequent year.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Assessor	\$ 33,500	\$ 38,255	\$ 4,755
		Hall and grounds	55,000	62,442	7,442
	Public works	Drains	-	2,462	2,462
Library	Culture and recreation	Library	-	73,717	73,717
Hospital	Health and welfare	Hospital	-	43,908	43,908
Seniors	Health and welfare	Seniors	-	32,279	32,279

The Township has not adopted budgets for the Library, Hospital, and Seniors funds.

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 866,603	\$ 2,036	\$ 868,639

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2007, \$956,590 of the Township's bank balances of \$1,207,334 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter-governmental</u>	<u>Interest</u>	<u>Total</u>
General	\$ 13,059	\$ 63,897	\$ -	\$ 888,588	\$ 3,562	\$ 969,106
Fire and Ambulance	-	209,348	-	-	-	209,348
Water Debt	-	-	377,012	64,022	-	441,034
Contracts Debt	-	-	2,713,728	-	-	2,713,728
Nonmajor funds	-	215,255	-	-	-	215,255
Totals	<u>\$ 13,059</u>	<u>\$ 488,500</u>	<u>\$ 3,090,740</u>	<u>\$ 952,610</u>	<u>\$ 3,562</u>	<u>\$ 4,548,471</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,863,267</u>	<u>\$ 780,429</u>	<u>\$ -</u>	<u>\$ 3,643,696</u>

All receivables are considered fully collectible.

NOTE 5 - PROPERTY TAXES:

The Township property tax is levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Township as of the preceding December 31.

Although the Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2007 taxable valuation of the Township totaled \$140,307,155, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.5617	Township operations	\$ 78,798
Fire and ambulance	1.9500	Fire and ambulance	260,669
Library	0.5617	Library	78,798
Hospital	0.3346	Hospital	46,934
Police	0.7500	Police	105,219
Seniors	0.2460	Senior services	34,503

These amounts are recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue. Taxes are considered delinquent on March 1, of the following year, at which time penalties and interest are assessed.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - DEFERRED REVENUES:

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<i>Fund</i>	<i>Property taxes unearned</i>	<i>Special assessments unavailable</i>	<i>Total</i>
General	\$ 78,798	\$ -	\$ 78,798
Fire and Ambulance	260,669	-	260,669
Water Debt	-	377,012	377,012
Contract Debt	-	2,713,737	2,713,737
Nonmajor funds	<u>265,454</u>	<u>-</u>	<u>265,454</u>
Totals	<u>\$ 604,921</u>	<u>\$ 3,090,749</u>	<u>\$ 3,695,670</u>

NOTE 7 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Capital assets being depreciated:				
Land improvements	44,189	-	-	44,189
Buildings and improvements	178,640	-	-	178,640
Equipment	59,849	6,983	-	66,832
Infrastructure - shared road costs	<u>101,851</u>	<u>51,068</u>	<u>-</u>	<u>152,919</u>
Subtotal	<u>384,529</u>	<u>58,051</u>	<u>-</u>	<u>442,580</u>
Less accumulated depreciation for:				
Land improvements	(24,405)	(1,656)	-	(26,061)
Buildings and improvements	(129,367)	(6,452)	-	(135,819)
Equipment	(55,711)	(3,599)	-	(59,310)
Infrastructure - shared road costs	<u>(7,321)</u>	<u>(4,107)</u>	<u>-</u>	<u>(11,428)</u>
Subtotal	<u>(216,804)</u>	<u>(15,814)</u>	<u>-</u>	<u>(232,618)</u>
Total capital assets being depreciated (net)	<u>167,725</u>	<u>42,237</u>	<u>-</u>	<u>209,962</u>
Governmental activities capital assets, net	<u>\$ 267,725</u>	<u>\$ 42,237</u>	<u>\$ -</u>	<u>\$ 309,962</u>

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 11,018
Public works	3,597
Recreation and culture	<u>1,202</u>
 Total	 <u>\$ 15,817</u>

NOTE 8 - LONG-TERM LIABILITIES:

Long-term debt at December 31, 2007, is comprised of the following individual issues:

Contracts payable:	
\$631,508 1995 and 1997 water and sewer assessments, due to Allegan County in annual installments through 2017; interest at approximately 6.2%	\$ 293,190
\$1,470,023 1998 water and sewer assessments, due to Van Buren County in annual installments through 2019; interest at approximately 5.8%	621,774
\$1,915,388 1999 water and sewer assessments, due to Van Buren County in annual installments through 2020; interest at approximately	795,339
\$1,212,372 2000 water and sewer assessments, due to Van Buren County in annual installments through 2020; interest at approximately 6.3%	567,760
\$550,808 contracts payable, due to South Haven and Casco Township Water and Wastewater Treatment Authority in various annual installments; interest at approximately 6.0%	<u>435,666</u>
 Total contracts payable	 2,713,729
 Bond payable:	
\$435,000 2006 special assessment bonds, due in annual installments of \$10,000 to \$25,000 through 2026; interest at approximately 5.49%	<u>425,000</u>
 Total long-term liabilities	 <u>\$3,138,729</u>

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM LIABILITIES (Continued):

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
2003 Phoenix Drain	\$ 16,147	\$ -	\$ (16,147)	\$ -	\$ -
Contracts payable - 1997	344,099	-	(50,909)	293,190	29,319
Contracts payable - 1998	678,224	-	(56,450)	621,774	51,815
Contracts payable - 1999	876,361	-	(81,022)	795,339	61,180
Contracts payable - 2000	631,170	-	(63,410)	567,760	40,554
Contracts payable - unbonded	431,614	50,325	(46,273)	435,666	72,611
Bonds payable - 2006	<u>435,000</u>	<u>-</u>	<u>(10,000)</u>	<u>425,000</u>	<u>20,000</u>
Total long term liabilities	<u>\$ 3,412,615</u>	<u>\$ 50,325</u>	<u>\$ (324,211)</u>	<u>\$ 3,138,729</u>	<u>\$ 275,479</u>

Debt service requirements at December 31, 2007, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended December 31:		
2008	\$ 275,479	\$ 189,588
2009	275,479	172,901
2010	275,479	156,214
2011	275,479	139,526
2012	280,479	122,840
2013 - 2017	1,111,947	385,922
2018 - 2022	564,387	97,769
2023 - 2026	<u>80,000</u>	<u>10,980</u>
Totals	<u>\$ 3,138,729</u>	<u>\$ 1,275,740</u>

The Township is contingently liable for \$11,462,289 of outstanding water and sewer system contracts payable in excess of the amounts which are to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - PAYABLES:

Payables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 12,421	\$ 27,678	\$ 40,099

NOTE 10 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended December 31, 2007, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	\$ 79,969	Police	\$ 79,969
Water Debt	42,240	Water Capital Projects	42,240

The transfer to the General Fund represents restricted revenues collected in the Police Fund to pay for operational costs of the public safety functions accounted for in the General Fund.

The transfer to the Water Debt Service Fund represents funds remaining after construction of the 76th Street water extension which will be used to cover future bond requirements.

NOTE 11 - JOINT VENTURES:

The Township, together with the Township of Casco, established a joint water and sewage treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township has advanced \$780,429 including \$76,200 during the year ended December 31, 2007, for its share of certain costs of the authority, and anticipates reimbursement in the future.

The Township has joined the City of South Haven and the Townships of Casco and Geneva in establishing a joint emergency services authority (the Emergency Authority) to provide fire and ambulance services in the Authority's area of operation, which includes the Township of South Haven. The operations of the Authority are financed by taxes levied annually within the participating units of government.

The Township has joined the Cities of South Haven and Bangor and the Townships of Casco, Geneva, and Covert in establishing a joint regional airport authority (the Airport Authority) to provide airfield services in the Airport Authority's area of operation, which includes the Charter Township of South Haven. The operations of the Airport Authority are financed by annual contributions within the participating units of government, as well as, hangar rentals and fuel sales. During the year ended December 31, 2007, the Township contributed \$30,584 towards the Airport Authority's operations.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Officials are eligible to participate from the date they are elected to office. The Township contributes 5% of each qualified employee's base salary or \$300, whichever is more, to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$4,903 for the year ended December 31, 2007. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 14 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended December 31, 2007, is as follows:

Revenues	\$ 54,169
Expenses	<u>(54,039)</u>
Excess of revenues over expenses	<u>\$ 130</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of South Haven
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 161,347	\$ 161,347	\$ 134,968	\$ (26,379)
Licenses and permits	70,000	70,000	79,011	9,011
State grants	322,000	322,000	318,534	(3,466)
Charges for services	8,000	8,000	18,452	10,452
Interest and rentals	27,240	27,240	49,108	21,868
Other	3,000	3,000	1,464	(1,536)
Total revenues	<u>591,587</u>	<u>591,587</u>	<u>601,537</u>	<u>9,950</u>
EXPENDITURES				
Legislative	<u>5,000</u>	<u>5,000</u>	<u>4,781</u>	<u>219</u>
General government:				
Supervisor	36,000	36,000	33,796	2,204
Election	1,000	4,000	3,856	144
Assessor	33,500	33,500	38,255	(4,755)
Clerk	28,000	28,000	23,240	4,760
Board of review	1,000	1,500	1,830	(330)
Treasurer	26,000	26,000	22,062	3,938
Hall and grounds	55,000	55,000	62,442	(7,442)
Other	<u>80,950</u>	<u>80,950</u>	<u>46,665</u>	<u>34,285</u>
Total general government	<u>261,450</u>	<u>264,950</u>	<u>232,146</u>	<u>32,804</u>
Public safety:				
Police	144,200	144,200	143,566	634
Building inspections	<u>58,000</u>	<u>58,000</u>	<u>54,039</u>	<u>3,961</u>
Total public safety	<u>202,200</u>	<u>202,200</u>	<u>197,605</u>	<u>4,595</u>
Public works:				
Highways and streets	45,000	45,000	38,400	6,600
Drains	-	-	2,462	(2,462)
Transfer station	16,000	16,000	15,114	886
Airport authority	<u>30,000</u>	<u>63,835</u>	<u>30,584</u>	<u>33,251</u>
Total public works	<u>91,000</u>	<u>124,835</u>	<u>86,560</u>	<u>38,275</u>

Charter Township of South Haven

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 58,000	\$ 73,000	\$ 67,032	\$ 5,968
Capital outlay	15,400	15,400	15,400	-
Debt service - principal	-	16,200	16,147	53
Total expenditures	633,050	701,585	619,671	81,914
DEFICIENCY OF REVENUES OVER EXPENDITURES	(41,463)	(109,998)	(18,134)	91,864
OTHER FINANCING SOURCES				
Transfer from Police Fund	87,553	87,553	87,553	-
NET CHANGES IN FUND BALANCES	46,090	(22,445)	69,419	91,864
FUND BALANCES - BEGINNING	1,435,873	1,435,873	1,435,873	-
FUND BALANCES - ENDING	<u>\$1,481,963</u>	<u>\$1,413,428</u>	<u>\$1,505,292</u>	<u>\$ 91,864</u>

Charter Township of South Haven**BUDGETARY COMPARISON SCHEDULE - Fire and Ambulance Fund**

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 245,700	\$ 245,700	\$ 258,378	\$ 12,678
EXPENDITURES				
Public safety	<u>245,700</u>	<u>245,700</u>	<u>255,454</u>	<u>(9,754)</u>
NET CHANGES IN FUND BALANCES	-	-	2,924	2,924
FUND BALANCES - BEGINNING	<u>115,355</u>	<u>115,355</u>	<u>115,355</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 115,355</u>	<u>\$ 115,355</u>	<u>\$ 118,279</u>	<u>\$ 2,924</u>

SUPPLEMENTARY INFORMATION

Charter Township of South Haven**COMBINING BALANCE SHEET - nonmajor governmental funds**

December 31, 2007

	<i>Special revenue funds</i>			
	<i>Library</i>	<i>Hospital</i>	<i>Police</i>	<i>Seniors</i>
ASSETS				
Cash	\$ 14,901	\$ 8,875	\$ 19,898	\$ -
Receivables, net	63,897	38,059	85,321	27,978
Prepaid expense	-	-	-	6,525
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,525</u>
Total assets	<u>\$ 78,798</u>	<u>\$ 46,934</u>	<u>\$ 105,219</u>	<u>\$ 34,503</u>
LIABILITIES AND FUND BALANCES				
Liabilities - deferred revenue	\$ 78,798	\$ 46,934	\$ 105,219	\$ 34,503
Fund Balances - unreserved, undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 78,798</u>	<u>\$ 46,934</u>	<u>\$ 105,219</u>	<u>\$ 34,503</u>

<i>Capital projects</i>	
<u>Water</u>	<u>Total</u>
\$ -	\$ 43,674
-	215,255
-	6,525
<u> </u>	<u> </u>
\$ -	\$ 265,454
<u> </u>	<u> </u>
 \$ -	 \$ 265,454
 -	 -
<u> </u>	<u> </u>
 \$ -	 \$ 265,454
<u> </u>	<u> </u>

Charter Township of South Haven**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2007

	Special revenue funds			
	<u>Library</u>	<u>Hospital</u>	<u>Police</u>	<u>Seniors</u>
REVENUES				
Taxes	\$ 73,717	\$ 43,908	\$ 87,553	\$ 32,279
Interest	-	-	-	-
Total revenue	<u>73,717</u>	<u>43,908</u>	<u>87,553</u>	<u>32,279</u>
EXPENDITURES				
Public works	-	-	-	-
Health and welfare	-	43,908	-	32,279
Culture and recreation	<u>73,717</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>73,717</u>	<u>43,908</u>	<u>-</u>	<u>32,279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	87,553	-
OTHER FINANCING USES				
Operating transfer out	<u>-</u>	<u>-</u>	<u>(87,553)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<i>Capital projects</i>	
<u><i>Water</i></u>	<u><i>Total</i></u>
\$ -	\$ 237,457
<u>1,118</u>	<u>1,118</u>
<u>1,118</u>	<u>238,575</u>
3,357	3,357
-	76,187
<u>-</u>	<u>73,717</u>
<u>3,357</u>	<u>153,261</u>
(2,239)	85,314
<u>(42,240)</u>	<u>(129,793)</u>
(44,479)	(44,479)
<u>44,479</u>	<u>44,479</u>
<u>\$ -</u>	<u>\$ -</u>

May 14, 2008

To the Board of Trustees
Charter Township of South Haven

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of South Haven for the year ended December 31, 2007, and have issued our report thereon dated May 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of South Haven are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Charter Township of South Haven during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended December 31, 2007.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of South Haven's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Charter Township of South Haven as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of South Haven's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

The Township has some limitations on its segregation of accounting responsibilities because of the limited number of available personnel, and due to the fact that key financial roles are performed by elected officials who are related to each other. This calls for the implementation of additional control policies and procedures to address the inherent risks arising from these circumstances. We noted certain instances which indicate that the current controls are not sufficient, or indicate the need to implement additional independent reviews:

- A legal requirement for the remittance of wage garnishments was not acted upon in a timely manner.
- A medical insurance plan cancellation and other non-routine changes were transacted without prior Board approval or other communication.
- The timing and computation of required employee insurance reimbursements were not adequately reviewed or reported.
- A contract with a related party was established and paid without communication to the Board of the contract or of the relation to the vendor.
- Controls over tax receipts which are available within the Township's tax receipting software are not used consistently. We noted instances where taxpayer check numbers were not entered, and where composition of cash and checks making up the deposit were not determinable. The use of the system's capabilities would enhance the documentation of deposit composition of receipt batches.
- Appropriate Township officials, including the Supervisor, should have access to the Treasurer's office for necessary business purposes, and to allow for independent monitoring of the Township's accounting records.

- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Charter Township of South Haven and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.